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December 15, 2000

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Docket No. 00-00691; Sprint Communications Company L.P.
Arbitration Petition with BellSouth Telecommunications, Inc.

Dear Mr. Waddell:

Enclosed for filing are the original and thirteen copies of Sprint Communications Company L.P.'s Responses to BellSouth Telecommunications, Inc.'s First Interrogatories and First Request for Production of Documents. Please note that certain of the Responses are designated as Confidential in accordance with the Protective Order entered in this case and should be handled accordingly. Copies of the enclosed are being provided to counsel for BellSouth.

Please contact me if you have any questions.

Very truly yours,

A handwritten signature in cursive script that reads "James B. Wright".
James B. Wright

JBW:sm

Enclosures

cc: Guy Hicks (with enclosures)

E. Earl Edenfield, Jr. (with enclosures)

William R. Atkinson (with enclosures)

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

- 1. Identify all persons participating in the preparation of the answers to these Interrogatories or supplying information used in connection therewith.**

Response: Mark Felton, Melissa Closz, Dan Doherty, Mike Montee, Michael Hyde, David Rearden, and Darren Hite

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

- 2. Identify any and all evaluations, reports, analyses, memoranda or other documents prepared by or for Sprint that directly relate to or concern any specific issue raised by Sprint in its Petition and/or the Joint Positions Matrix filed by the Parties on November 17, 2000.**

Response: As stated in its December 8, 2000 filing, Sprint objects to this Interrogatory as unduly broad and overly burdensome. It would require an enormous effort on the part of Sprint to identify "all documents that refer or relate" to any *one* issue contained in Sprint's Petition, much less all of the issues. Further, the parties have settled several issues included in Sprint's original arbitration Petition. Nevertheless, Sprint states that relevant documents are identified in Sprint's arbitration Petition filed with the TRA on August 7, 2000.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

4. **Does Sprint own, have an interest in, or is Sprint affiliated in any way with an ISP in Tennessee (other than as a customer)? If so, explain in full the nature of such interest or affiliation and identify all documents that refer or relate to such interest or affiliation.**

Response: As stated in its December 8, 2000 filing, to the extent this Interrogatory calls for information relating to "all" documents referring or relating to Sprint's interest or affiliation with an ISP in Tennessee, Sprint objects in that the information requested is unduly broad and overly burdensome.

Notwithstanding its objection, and in an effort to be responsive, Sprint states that it owns a 25.3% interest in Earthlink in preferred and common stock.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

5. **State the actual cost (as an average cost per minute, if calculable) Sprint incurs in transporting ISP traffic from the point of interconnection with BellSouth in Tennessee to the ISP server being served by a Sprint switch. If this information is not available on a per minute basis, state what information is available that relates to this cost. In answering this interrogatory, describe in detail how this cost was calculated and identify all documents referring or relating to such calculation. If Sprint has made no such calculation and has no idea what the cost of transporting ISP traffic in such a manner would be, please so state.**

Response: As stated in its December 8, 2000 filing, Sprint objects to this Interrogatory in that it calls for information not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this action because Sprint is not in this arbitration seeking to be paid reciprocal compensation based upon its own costs.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

6. **Please state the total number of local end user customers that Sprint serves within the state of Tennessee, separated into residential and business customers. If Sprint has no further information other than the number of lines provided in response to an earlier request, please say so.**

Response: As stated in its December 8, 2000 filing, Sprint objects to this Interrogatory as entirely irrelevant to the issues presented for arbitration in this proceeding.

Notwithstanding its objection, and in an effort to be responsive, Sprint incorporates as its response to this question the response Sprint provided to interrogatory No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

7. **State the rate you contend is appropriate for reciprocal compensation for ISP-bound traffic, and separately state the rate you contend if appropriate for local traffic, if that is a different figure. In answering this Interrogatory, state with particularity how the rate(s) were calculated and identify any analyses, cost studies, or other reports that support your rates.**

Response: The appropriate reciprocal compensation rates for both ISP-bound traffic and local traffic are those required by the relevant Tennessee Regulatory Authority Orders.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

- 8. Does Sprint deliver traffic to ISPs located outside the rate center in which the call to the ISP originated?**

Response: As stated in its December 8, 2000 filing, Sprint objects to this Interrogatory in that it is vague. It is not clear from the context of the Interrogatory how Sprint "delivers" traffic to ISPs.

Notwithstanding its objection, and in an effort to be responsive, Sprint states that it typically delivers ISP-bound traffic to network concentration points located within the local calling areas.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

9. **If the answer to Interrogatory 8 is in the affirmative, describe the network architecture used by Sprint to deliver traffic to ISPs located outside the rate center in which the call to the ISP originated.**

Response: As stated in its December 8, 2000 filing, Sprint objects to this Interrogatory in that it is vague. It is not clear from the context of the Interrogatory how Sprint "delivers" traffic to ISPs.

Notwithstanding its objection, and in an effort to be responsive, Sprint incorporates as its response to this question the response Sprint provided to interrogatory No. 8.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELL SOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

- 10. If the answer to Interrogatory 8 is in the affirmative, state whether or not Sprint collects reciprocal compensation for the traffic delivered to ISPs located outside the rate center in which the call to the ISP originated.**

Response: As stated in its December 8, 2000 filing, Sprint objects to this Interrogatory in that it is vague. It is not clear from the context of the Interrogatory how Sprint "delivers" traffic to ISPs.

Notwithstanding its objection, and in an effort to be responsive, Sprint incorporates as its response to this question the response Sprint provided to interrogatory No. 8. Sprint's CLEC in Florida currently does not collect reciprocal compensation for ISP traffic from BellSouth because BellSouth has refused to pay. See Florida Public Service Commission Docket No. 000636-TP.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

11. **State the number of resold lines Sprint has in Tennessee, broken down by residence and business lines, if not provided in response to an earlier interrogatory.**

Response: As stated in its December 8, 2000 filing, Sprint objects to this Interrogatory as entirely irrelevant to the issues presented for arbitration in this proceeding.

Notwithstanding its objection, and in an effort to be responsive, Sprint incorporates as its response to this question the response Sprint provided to interrogatory No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

12. State the number of UNEs that Sprint has purchased in Tennessee.

Response: None

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

13. **Does Sprint contend that if Sprint elects a single point of interconnection in each LATA in Tennessee, or fewer interconnection points than BellSouth has local calling areas in Tennessee, that BellSouth has to transport calls from local calling areas not served by a Sprint point of interconnection to Sprint's nearest point of interconnection with BellSouth's network in the LATA?**

Response: Yes.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

14. **If the answer to Interrogatory 13 was in the affirmative, how does Sprint contend that BellSouth should recover its costs for transporting traffic from the originating local calling area to the point of interconnection (POI) in situations in which the POI is outside the originating local calling area?**

Response: Sprint does not possess the information necessary to determine how BellSouth should recover its costs in fulfilling its obligation under the Telecommunications Act of 1966.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELL SOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

15. **If the answer to Interrogatory 13 was in the affirmative, what legal authority does Sprint rely upon in support of its contention that BellSouth is obligated to incur the costs to haul BellSouth originating traffic from the local calling area where the call originated to the Sprint point of presence outside BellSouth's local calling area?**

Response

In its First Report and Order in CC Docket No. 96-98 (issued August 8, 1996) ("Local Competition Order"), the FCC clearly stated that the specific obligation of ILECs to interconnect with local market entrants pursuant to Section 251(c)(2) of the Act engenders the local entrant's right to designate the point or points of interconnection at any technically feasible point within the Local Exchange Carrier's network:

The interconnection obligation of section 251(c)(2) allows competing carriers to choose the most efficient points at which to exchange (emphasis added) traffic with incumbent LECs, thereby lowering the competing carriers' cost of, among other things, transport and termination of traffic.

. . . . Of course, requesting carriers have the right to select points of interconnection at which to exchange traffic with an incumbent LEC under Section 251(c)(2).

(Local Competition Order, at Paragraphs 172, 220 n.464.)

Each party is responsible for transporting its originated traffic to the point of interconnection. Therefore, although not specifically stated by the FCC, each carrier is responsible for the costs incurred in hauling such traffic.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

16. **Does Sprint have facilities in place to serve customers in each of
BellSouth's local calling areas?**

Response: See Response to No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

17. **Does Sprint currently serve customers in each of BellSouth's local calling areas in Tennessee? If so, identify each such BellSouth local calling area.**

Response: See Response to Item No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

18. **State the number of switches Sprint has deployed in Tennessee including the location, switch type (including the model and manufacturer), and the date the switch became operational.**

Response: See Response to Item No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

19. **State whether any of the switches identified in response to Interrogatory 18 are currently providing local switching for Sprint local customers. If so, please identify each such switch by location, switch type (including the model and manufacturer), and the date the switch became operational for purposes of providing local service.**

Response: See Response to Item No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

20. Does Sprint contend that any of the switches identified in Interrogatory 18 actually perform local tandem switching functions in Tennessee? If so, please identify each such switch by location, switch type (including the model and manufacturer), and the date the switch began actually performing local tandem switching functions. Also, for each switch identified herein, describe in detail the actual local tandem switching functions being performed by the switch and identify all documents that support Sprint's response.

Response: See Response to Item No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

21. Does Sprint contend that its local switches in the state of Tennessee, if any, serve a comparable geographic area to BellSouth's tandem switch? If the answer to this Interrogatory is in the affirmative, please state all facts and identify all documents that support this contention.

Response: See Response to Item No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

22. For each of the wire centers served by BellSouth's tandem switches in Tennessee, state the total number of customers in each such wire center to which Sprint provides local telephone exchange service.

Response: See Response to Item No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

23. If Sprint contends that any of the switches identified in response to an earlier Interrogatory is capable of providing local service, even if not currently providing such service, state whether any changes in the switch, i.e., software updates, additional hardware modules, would be required to actually enable the switches to provide local switching.

Response: See Response to Item No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

24. Does Sprint agree that where an originating carrier, using its own facilities, mixes originating long distance calls and originating local calls that ultimately terminate to a Sprint local customer, that Sprint wants the calls separated and, in such circumstances, Sprint wants to bill any terminating access charges that might be due?

Response: Sprint objects to this Interrogatory in that it is vague. It is not clear from the context of the Interrogatory what the phrase "originating carrier", and the word "separated" mean.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

25. **Does Sprint agree that in the circumstances described in Interrogatory 24 above, Sprint wants BellSouth to bill the originating carrier for the local calls referred to therein?**

Response: Sprint objects to this Interrogatory in that it is vague. It is not clear from the context of the Interrogatory what the phrase "originating carrier", and the word "separated" mean.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

26. **If the answer to interrogatory 25 is not an unqualified affirmative answer, is it correct that Sprint does not want to bill the originating carrier reciprocal compensation charges for terminating the local call to Sprint's customer in the circumstances described in interrogatory 24?**

Response: Sprint objects to this Interrogatory in that it is vague. It is not clear from the context of the Interrogatory what the phrase "originating carrier", and the word "separated" mean.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELL SOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

27. **Please explain why, when an originating carrier, using its own facilities, sends long distance calls and local calls to Sprint's end users over the same terminating facilities, Sprint wants to bill the terminating access charges, but not charges associated with the local calls.**

Response: Sprint objects to this Interrogatory in that it is vague. It is not clear from the context of the Interrogatory what the phrase "originating carrier" means.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

28. **Does Sprint track its own internal performance data at the metropolitan statistical area (MSA) level? If so, provide Sprint's internal performance data for each corresponding performance measurement or SQM Sprint proposes in this proceeding.**

Response: As stated in its December 8, 2000 filing, to the extent that the Interrogatory can be read to apply to jurisdictions other than Tennessee, Sprint objects in that the Interrogatory is irrelevant to the issues presented for arbitration in this docket. Sprint is not required to track its own internal performance data for each corresponding performance measurement or SQM in Tennessee.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

29. **If Sprint's response to Interrogatory 28 is in the negative, how does Sprint track its own internal performance data and at what level of disaggregation?**

Response: As stated in its December 8, 2000 filing, to the extent that the Interrogatory can be read to apply to jurisdictions other than Tennessee, Sprint objects in that the Interrogatory is irrelevant to the issues presented for arbitration in this docket. Sprint is not required to track its own internal performance data for each corresponding performance measurement or SQM in Tennessee.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

- 1. Produce every document identified in Sprint's Responses to BellSouth's interrogatories.**

Response: See attachments.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

2. **Produce all documents referring, relating or pertaining to the payment to or by Sprint or any other ILEC or CLEC of reciprocal compensation for ISP-bound traffic. To be perfectly clear, BellSouth believes that Sprint has memoranda in which its employees discuss whether payment of reciprocal compensation for ISP traffic is required or appropriate.**

Response: As stated in its December 8, 2000 filing, Sprint objects to this POD Request as exempt from discovery by virtue of the attorney-client privilege, work product doctrine, or other applicable privilege. Further, Sprint objects to the Request as overly broad and unduly burdensome.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

3. **Produce all documents referring, relating or pertaining to telephone-to-telephone voice calls delivered over IP Telephony.**

Response: Sprint objects to this Request as overly broad and unduly burdensome.

Notwithstanding its objection, and in an effort to be responsive, Sprint provides the following information. There are over 161,000 web page matches for voice over IP. Following are some examples:

http://dir.yahoo.com/Business_and_Economy/Business_to_Business/Communications_and_Networking/Broadband/Equipment/Digital_Subscriber_Line__DSL_/Voice_Over_DSL/

<http://www.cnn.com/2000/TECH/computing/01/11/voice.ip.idg/>

Attached are the above identified examples.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

- 4. Produce all documents referring or relating to forecasted growth of Sprint's local market in Tennessee over the next 24 months.**

Response: Sprint objects to this Interrogatory as entirely irrelevant to the issues presented for arbitration in this proceeding. Notwithstanding its objection, and in an effort to be responsive, Sprint has reviewed its records and has not located information which could be considered responsive to the question.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

- 5. Produce all documents referring or relating to historical growth of Sprint's local market in Tennessee over the past 24 months.**

Response: Sprint objects to this Interrogatory as entirely irrelevant to the issues presented for arbitration in this proceeding.

Notwithstanding its objection, and in an effort to be responsive, Sprint incorporates as its response to this question the response Sprint provided to interrogatory No. 3.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

- 6. Produce all documents referring, relating or pertaining to any agreements to which Sprint is a party that involves the sharing of any reciprocal compensation received by Sprint from BellSouth.**

Response: Sprint objects to this Interrogatory in that it is vague. It is not totally clear from the context of the Interrogatory what the phrase "sharing of reciprocal compensation" means. In an effort to be responsive, however, Sprint states that if BellSouth is referring to an arrangement whereby Sprint pays a portion of the reciprocal compensation that it receives from BellSouth, denominated as such, to another person, the answer is no.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

7. **Produce all documents referring, relating or pertaining to any ownership or interest Sprint has in an ISP in Tennessee.**

Response: As stated in General Objection No. 1 in Sprint's December 8, 2000 filing, Sprint objects to this POD Request as exempt from discovery by virtue of the attorney-client privilege, work product doctrine, or other applicable privilege. Further, Sprint objects to the Request in that it is overly broad and unduly burdensome, as well as entirely irrelevant to the issues presented for arbitration in this proceeding.

In an effort to be responsive, Sprint provides the following information. The following are examples of the requested information available on the web.

<http://www.thestreet.com/brknews/internet/935999.html>

<http://www.usatoday.com/life/cyber/invest/in673.htm>

http://www.internetnews.com/isp-news/article/0,,8_357601,00.html

<http://www.businessweek.com/1998/49/b3607144.htm>

<http://www.bizjournals.com/atlanta/stories/2000/02/21/daily1.html>

<http://www.internetwk.com/news/news0211-8.htm>,

Attached are copies of the above.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

8. **Produce all documents referring, relating or pertaining to any agreements to which Sprint is a party that set forth any compensation arrangements with any other ILEC or CLEC regarding IP Telephony.**

Response: There are no documents responsive to this request.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

9. **Produce any document relied upon by Sprint in preparing any answer to any Interrogatory in this proceeding.**

Response: Sprint objects to this Request as overly broad and unduly burdensome.

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY L.P. TO
BELLSOUTH'S FIRST INTERROGATORIES AND FIRST
REQUEST FOR PRODUCTION OF DOCUMENTS
TRA DOCKET NO. 00-00691**

- 10. Please provide any and all documents that relate, in any way, to any of the issues set forth in the Joint Positions Matrix filed by the Parties on November 17, 2000.**

Response: The relevant documents are identified in Sprint's arbitration petition filed with the TRA on August 7, 2000.



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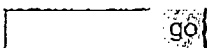
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Voice over IP gathers steam


January 11, 2000

Web posted at: 10:46 a.m. EST (1546 GMT)

by Denise Pappalardo and Tim Greene

From...
[NetworkWorld](#)
Fusion
AN IDG.net
S I T E

(IDG) -- Fueled by a group of traditional telecommunications service providers, voice-over-IP services are expected to become more prevalent within the next 18 months.

AT&T, MCI WorldCom, Bell Atlantic, SBC  **MESSAGE BOARD**
Communications and BellSouth are busy [Managing the net](#)
setting up packetized voice trials and
planning new integrated voice and data services for business and
residential users.

To prepare for this change, International Data Corp. (IDC), a market research firm in Framingham, Mass., expects service providers around the world to spend nearly \$1 billion installing voice-over-IP gateways by the end of 2001.

Because these new, unified carrier networks will simply be switching packets, integrating voice and data traffic will be easier than it is with separate voice and data networks.

That will result in services such as unified messaging, in which voice, fax and e-mail are all combined. These new networks will also be less expensive to install and easier for carriers to manage than traditional voice networks. So when the likes of AT&T and BellSouth start rolling out voice-over-IP service bundles, business users should expect cost savings, says Lisa Pierce, director of telecommunications services at Giga Information Group, a Cambridge, Mass.,

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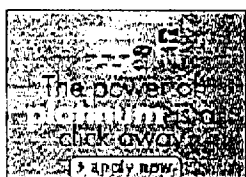
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Keyword 



consulting firm. "But because big businesses get such great rates now, it is going to be hard for the carriers to compete on price. The carriers will be adding a lot of bells and whistles to their offerings to attract customers," she says.

Despite the promise of voice-over-IP services, one user who has deployed a private voice-over-IP network questions whether carriers will be able to quickly become experts in voice-over-IP technology. "I'm not sure carriers can do a much better job supporting IP telephony than I can," says Rod White, vice president of telecommunications for Home Shopping Network in St. Petersburg, Fla. "And I don't want them to become experts by trying things out on me."

Small deployment

It seems many other users feel that way, too. A recent study by Faulkner Information Services indicates that only 7% of enterprise customers have deployed any voice over IP, and those who have have installed it in only small pilot projects in least-critical environments.

Nevertheless, most local and long-distance service providers have some kind of voice-over-IP blueprint, even though some of those services may not be pure IP. Most traditional carriers considering voice-over-IP services are actually running IP traffic over ATM networks because ATM provides quality-of-service (QoS) guarantees necessary for voice quality. MCI WorldCom is the exception. It is in the process of putting together an IP network that will support combined voice and data services, says Frank Nigro, director of converged services at MCI WorldCom.



MCI WorldCom is in the midst of an employee-only service trial that the company will soon expand to include enterprise business users.

Nigro says MCI WorldCom is in the process of building a 100% pure IP backbone that will take advantage of existing facilities, but will include new electronics and software.

"This is not a science project anymore," Nigro says. "We're constructing a carrier-grade IP network to support large business users' on-net and off-net voice and data traffic."

While MCI WorldCom is looking at supporting voice-over-IP services over a pure IP network, AT&T is looking at offering the technology over its Internet backbone.

AT&T expects to offer a voice service over its Internet backbone before year-end. With the service, customers will be able to send

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intracompany voice, fax and off-net voice traffic over AT&T's ATM Internet backbone, says Cliff Radziewicz, general manager of global IP telephony services at AT&T.

In September, AT&T started a service trial that provides multinational enterprise users with voice services over AT&T's Internet backbone. But the trial is limited in scope - it has only two customers on the network. One customer is making voice calls from the U.S. to the U.K., and the other customer is making calls from the U.S. to Asia over the Internet.

"The trial is going well, and we expect to increase the call volumes soon," Radziewicz says. AT&T and MCI WorldCom are clearly gungho about voice over IP, but Sprint has a different take on the technology. Sprint will not be rolling out any managed or integrated voice-over-IP services, but rather will point customers looking for an alternative to traditional circuit-switched voice services to its Integrated On-Demand (ION) service.

ION lets business users send voice and data traffic over the same ATM-based connection. AT&T has a similar service called INC. Both services rely on ATM rather than IP for service delivery.

Bell Atlantic, which is trying to become a long-distance power player, does plan to support voice-over-IP services in the future. While Bell Atlantic will continue to use its existing access network to deliver phone calls to customers, it will convert circuit-switched voice traffic to ATM for long-haul connections. The company says it plans to start IP-voice service trials later this year, but would not give specific details.

LECplans

Local exchange carriers SBC and BellSouth are following a similar path - the one taken by AT&T and MCI WorldCom. SBC has made a commitment to provide packetized voice to customers through its \$6 billion network upgrade program known as Project Pronto. The program calls for wiring customer sites with digital subscriber line (DSL) and running multiple packet-based phone links plus data over a single connection.

SBC is relying on ATM for its new backbone, which will handle voice and data. ATM will eventually run to customer sites over the DSL lines, and IP voice channels will travel over that ATM stream, says Fred Chang, vice president of SBC Advanced Solutions. SBC's voice-over-DSL services will start to emerge later this year with trials in Los Angeles and Houston.

Similarly, BellSouth is exploring packet voice as a way to sell

additional phone services over DSL connections.

Such services are expected in nine to 12 months, according to Mick Stefanik, research director for advanced data networking technologies at BellSouth.

What's in store?

IDC expects that business users will start adopting integrated IP voice and data services when the voice-over-IP part of the offerings becomes invisible and painless, says Mark Winther, vice president of worldwide telecommunications at IDC.

While most of the traditional telecommunications companies are embracing IP as the wave of the near future, this by no means forecasts the death of the public switched telephone network (PSTN) as we know it today. "The PSTN will be around for at least a decade and maybe more," MCI WorldCom's Nigro says. MCI WorldCom will continue to make investments in circuit-switched voice to ensure QoS standards, but the majority of its capital investments will go into next-generation networks, Nigro says.

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TODAY'S NEWS

Wednesday, February 11, 1998, 12:35 p.m. ET.

Sprint Takes a Piece of EarthLink

By JOHN T. MULQUEEN

Sprint Corp., which has been strangely silent while AT&T and WorldCom were busy buying companies, today said it has formed an alliance with EarthLink Network to provide Internet services.

Sprint said that it is taking a 30 percent minority interest in EarthLink, which plans to remain independent.

EarthLink will get Sprint's Internet Passport customer base, about \$24 million in cash, \$100 million in convertible debt, access to Sprint's branded marketing and distribution channels, a five-year commitment from Sprint to deliver a minimum of 150,000 new customers annually and preferred access to Sprint's world-class data network. In the past, EarthLink has provided Internet access to its customers via the Unet Technologies and PSINet backbones.

Sprint will receive 4.1 million shares of EarthLink's convertible preferred stock and will make an offer to purchase 1.25 million shares of EarthLink common stock at \$45 per share.

Sprint will own 10 percent of the EarthLink's voting stock and 30 percent of the company when the deal closes, the companies said. Sprint also will have two directors on EarthLink's board; William T.

TODAY'S NEWS connection

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Esrey, Sprint's chairman and CEO, will be one of them.

The companies said the agreement will let EarthLink expand its member base by 25 percent to approximately 600,000 members, leverage the resources and equity of the Sprint brand, and accelerate its future growth.

"The EarthLink-Sprint alliance takes our company to the next level. The alliance pairs EarthLink with one of the most powerful brands in the world, helping us bring our services to millions of potential new members in the coming years," said EarthLink founder and chairman Sky Dayton.

In an ISP market where players are consolidating almost every week, the Sprint investment will allow EarthLink to maintain its independence but provide an infusion of cash to expand its customer base and low-cost access to Sprint's network.

Esrey said that the deal "strengthens Sprint's position in the Internet access industry, teaming Sprint with a nimble, growth-oriented company that shares our commitment to fast, reliable, responsive products and technologies."

The EarthLink-Sprint Internet service will be promoted through various EarthLink and Sprint marketing channels. The EarthLink-Sprint service will also be bundled with various existing Sprint consumer and small business products and services.

--Kate Gerwig contributed to this story

[3Com Sets Policy](#)

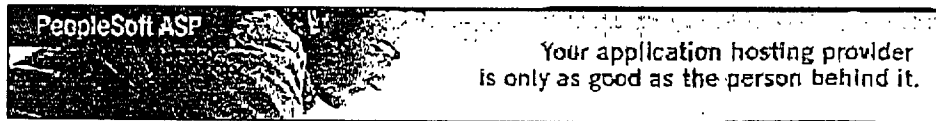
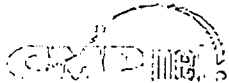
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Breaking News

February 21, 2000

Sprint invests \$77 million in EarthLink

Increasing its investment in EarthLink to 14.6 percent, Sprint Corp. (NYSE: FON) purchased about 2.7 million shares of EarthLink Inc.'s (Nasdaq: ELNKD) stock for \$77 million. Apple Computer Inc.'s (Nasdaq: AAPL) \$200 million investment in EarthLink reduced Sprint's ownership, spurring Sprint to purchase additional shares, according to EarthLink. Sprint will retain its two seats on EarthLink's board. EarthLink, based in Atlanta, is an Internet service provider and recently merged with MindSpring Enterprises.



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Sprint: Sauntering After Earthlink?

Riding high among the sizzling Yahoos and AOLs of the world, EarthLink Network (ELNK)([ELNK](#)), a little-known Internet stock, may soon attract huge investor attention.

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This second-largest independent provider of sophisticated Internet services (America Online([AOL](#)) is No. 1) is behaving like a superstock: It's up 318% so far this year, compared with 295% for AOL, 476% for Yahoo!([YHOO](#)), and 566% for Amazon.com ([AMZN](#)). Several bulls think EarthLink will charge higher still: Sprint([FON](#)), the No. 3 U.S. long-distance company and a top carrier of global Internet traffic, may opt to acquire EarthLink([ELNK](#)), of which it already owns 29%.

Robin West, who steers \$1.5 billion at the New Mexico State Investment Council, says: "It's not a question of whether Sprint will buy the rest, but when." The longer Sprint waits, she adds, the more it will have to shell out. At EarthLink's current price of 56, its market cap is about \$2 billion, based on fully diluted 36.7 million shares. In June, the two companies formed EarthLink Sprint Internet Service. Sprint Chairman and CEO William Esrey said at the time that EarthLink was the "perfect Internet-access parTner for Sprint."

What will the takeout price be? West figures that AOL, which is currently acquiring Netscape Communications, values subscribers one to two years out at \$1,200 apiece. Based on EarthLink's projected subscriber count of 4 million in two years, West calculates the company is worth \$4.8 billion, or \$120 a share. "That's inexpensive," she adds. EarthLink was highlighted earlier in this column (BW--Sept. 7, 1997), when it was trading at a split-adjusted 6 1/2 a share.

Andrea Grosz, Internet maven at Everen Securities, also thinks Sprint "will ultimately own 100% of EarthLink, paying "a rich premium" for the remaining 71%. One reason: EarthLink's subscriber list is growing faster than that of any other Net provider, including AT&T ([T](#)), MCI WorldCom, and the regional Bells. Moreover, she says, there are few large providers up for grabs.

An EarthLink spokeswoman notes that a standstill pact signed in February bars Sprint from buying EarthLink for 39 months. But some pros argue that Sprint could opt to break the agreement.

BY GENE G. MARCIAL

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Sprint Raises EarthLink Investment to \$1.1 Billion

By [Patricia Fusco](#)[e-mail article](#)

EarthLink Network Inc. Tuesday announced that Sprint Corp. committed to top up its investment in the national Internet service provider following the completion of EarthLink's merger with MindSpring.

Sprint ([NYSE:FON](#)) has agreed to purchase approximately 26 million shares from EarthLink for a total of approximately \$431 million, bringing its overall investment in EarthLink to approximately 26.7 percent interest, or \$1.1 billion.

Under the terms of the original EarthLink-Sprint alliance agreement, Sprint has the right to top and retain its original ownership position of 28.7 percent in EarthLink.

The completion of the \$4 billion EarthLink-MindSpring merger early in February reduced the percentage of Sprint's ownership in EarthLink to 14.6 percent. Sprint had six months from the time the merger closed to exercise its top-up option by purchasing additional EarthLink stock from the company.

Apple Computer, Inc. completed a similar investment EarthLink to produce an iMac Internet access venture with the national ISP.

Garry Betty, EarthLink chief executive officer, said both the Sprint and April Apple investments in the company put the Internet operation on solid financial ground.

"Sprint's most recent investment of \$77 million in EarthLink following our deal with Apple, coupled with its current investment of roughly \$431

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our deal with Apple, coupled with its current investment of roughly \$401 million, reaffirms Sprint's commitment to our strategic alliance," Betty said.

Sprint continues to retain two seats on EarthLink's board, occupied by William T. Esrey, Sprint chairman and chief executive officer, and Len J. Lauer, Sprint consumer services group president.

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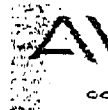
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Sprint to boost EarthLink stake

ATLANTA (Bloomberg) - Sprint Corp. plans to increase its stake in EarthLink Inc., the second biggest U.S. Internet access provider, to almost 27% by buying 26 million additional shares for \$431 million.

At \$16.58 each, the purchase price is 2.5% below EarthLink's closing price Monday. EarthLink shares rose as much as 16% on the news.

Sprint originally owned 29% of EarthLink, though that was cut in half when EarthLink merged with MindSpring Enterprises Inc. in February. EarthLink said Sprint's investment, which follows recent research reports showing that some Internet companies don't have enough money to stay in business for long, will boost its cash reserve 64% to \$1.1 billion.

"Sprint once again demonstrated its commitment to EarthLink by agreeing to infuse an additional (investment) in an effort to maintain a meaningful ownership stake," Jefferies & Co. analyst Fred Moran, wrote in a research report.

Atlanta-based EarthLink, which has more than 3.4 million subscribers, will use the Sprint investment to boost growth through advertising and acquisitions, said Moran. He rates EarthLink a "buy" and predicts the stock will reach 27 in 12 months.

EarthLink shares rose \$1.44, or 8%, to \$18.44 after climbing as high as \$19.75. They're down 30% this year. Sprint fell 38 cents to \$59.88 on the New York Stock Exchange.

Sprint's option

Under the terms of its agreement with EarthLink, Sprint has until August to buy more shares and regain its original 29% stake. EarthLink says Sprint, based in Westwood, Kansas, may exercise that option.

Sprint, which itself has agreed to be bought by WorldCom Inc., purchased \$77 million worth of EarthLink shares in February after Apple Computer Inc. invested \$200 million in the ISP, further reducing

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Inside Tech

Sprint to boost EarthLink stake

Sprint's stake.

New York-based Pegasus Research International I.I.C in March said 51 of the 207 Internet companies it studied would run out of cash within 12 months. In April, Forrester Research Inc., an electronic-commerce research company, said some Internet companies face cash problems as they try to win customers.

EarthLink is second only to America Online Inc. in the U.S. Internet access market. America Online has more than 21 million subscribers to its flagship service.

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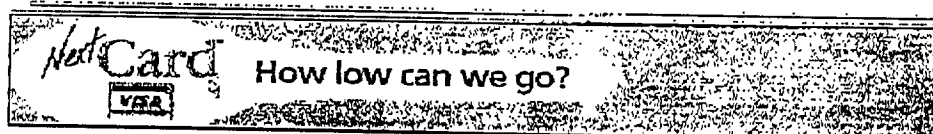
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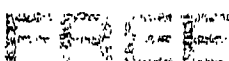


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EarthLink Soars After Sprint Increases Its Stake

By **Kevin Max**

TheStreet.com/NYTimes.com Staff

Reporter

8/9/00 9:55 AM ET



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Internet service provider **EarthLink** ([ELNK:Nasdaq](#) - [news](#)) surged 16% after receiving a large endorsement from **Sprint** ([FON:NYSE](#) - [news](#)).

Sprint said Tuesday it would increase its stake in **EarthLink** to 26.7%, with the infusion of \$431 million through the purchase of 26 million shares.

Shares of EarthLink rose 2 5/8 to 19 5/8 while Sprint slipped 1/4 to 60. (EarthLink closed up 1 7/16, or 8%, at 18 7/16 while Sprint closed down 3/8, or 0.6%, at 59 7/8.)

After the completion of EarthLink's merger with **MindSpring** in February, **Sprint's** percentage of holdings was reduced to about 15%.

Under the terms of the original agreement, Sprint could own up to 28.7% of outstanding EarthLink shares. Sprint has until the beginning of August to buy the remaining shares, according to its deal with the Internet service provider.

EarthLink has been aggressively marketing high-speed Internet service, which has been one of the fastest growing areas of the Web. The Atlanta-based company already has about 3.5 million subscribers to its Internet dial-up service, which most consumers use.

High-speed Internet access, however, offers more profits and a robust growth rate as the prices become more affordable to the average consumer.

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